

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7095

BILL NUMBER: SB 396

NOTE PREPARED: Mar 13, 2010

BILL AMENDED: Mar 13, 2010

SUBJECT: Assessment of Agricultural Land.

FIRST AUTHOR: Sen. Kenley

FIRST SPONSOR: Rep. Grubb

BILL STATUS: Enrolled

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: In making the annual calculation of the base rate for the assessment of agricultural land, this bill requires the Department of Local Government Finance (DLGF) to use an adjusted six-year average that eliminates the highest value determined for the six-year period.

Effective Date: January 1, 2010 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, the assessed value of real property is adjusted each year to reflect market changes. Each year, the base rate for agricultural land is set by the DLGF, based on a six-year rolling average of the capitalization of net cash rents and net operating income for farmland. Beginning with taxes payable in 2011 under this bill, the high year in the six-year average would be dropped.

The base value per acre of farmland is \$1,250 for taxes payable in 2010, and is currently estimated at \$1,400 for 2011, \$1,700 for 2012, and \$1,810 for 2013. Under this proposal, the base rate is estimated at \$1,290 for 2011, \$1,500 for 2012, and \$1,620 for 2013.

The reduction in the farmland base rate in this proposal would result in a smaller tax base than under current law. This would lead to a higher tax rate. The statewide average tax rate per \$100 AV would increase by an

estimated \$0.0118 in 2011, \$0.0204 in 2012 and \$0.0184 in 2013.

This increased tax rate would shift part of the tax burden from farmland to all other classes of property. In addition, circuit breaker credits would increase by a small amount and TIF proceeds would increase slightly. The table below contains estimates of these changes.

Estimated Net Property Tax and Circuit Breaker Changes						
Net Tax by Property Type	2011		2012		2013	
Homesteads	+5.6 M	+0.3%	+9.7 M	+0.5%	+9.1 M	+0.5%
Farmland	-17.8 M	-6.4%	-30.0 M	-9.4%	-27.3 M	-8.2%
Other Residential	+1.4 M	+0.2%	+2.4 M	+0.3%	+2.3 M	+0.3%
Commercial Apartments	+0.1 M	+0.1%	+0.2 M	+0.1%	+0.2 M	+0.1%
Ag_Business (Ex. Farmland)	+1.4 M	+1.3%	+2.3 M	+2.2%	+2.0 M	+2.0%
Other Real Property	+3.1 M	+0.2%	+5.4 M	+0.3%	+4.9 M	+0.3%
Personal Property	+3.0 M	+0.3%	+5.2 M	+0.6%	+4.7 M	+0.5%
TIF Proceeds	+0.6 M	+0.1%	+1.0 M	+0.2%	+0.9 M	+0.2%
Circuit Breakers	+3.6 M	+0.8 %	+5.6 M	+1.2%	+4.8 M	+1.1%

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: County assessors; Local taxing units impacted by circuit breaker credits.

Information Sources: *Farmland Assessment For Property Taxes*, Larry DeBoer, Purdue University, http://www.agecon.purdue.edu/crd/Localgov/Topics/Essays/Prop_Tax_FarmLand_Asmt.htm; LSA parcel-level assessment and tax database.

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